



OCA 86-1962

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13 JUN 1986

Mr. James S. Cowan, Special Counsel
 Subcommittee on Civil Service, Post
 Office and General Services
 Committee on Governmental Affairs
 United States Senate
 Washington, D.C. 20510

Dear Jamie:

We at CIA are pleased to see that the Federal Employees Retirement Act of 1986 has passed Congress and has been signed into law by the President.

I want to thank you for your unstinting efforts on this bill on behalf of all Federal employees. I especially appreciate your help with the several crucial issues that relate to the special needs of the Agency. This new legislation will have a direct and positive impact on our ability to recruit and retain the kind of people needed to maintain our national security.

Thank you for your help.

Sincerely,

/s/ William J. Casey

William J. Casey
 Director of Central Intelligence

cc: Senator Ted Stevens
 Senator William V. Roth

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CONGRESSIONAL RECORD — SENATE

May 20, 1986

who are covered by Social Security as mandated by the Social Security Amendments of 1983.

H.R. 2672 would violate section 303(a) of the Congressional Budget Act of 1974 because the bill provides new entitlement authority to become effective during fiscal year 1987 and would result in a change in revenues effective during fiscal year 1987, before the first concurrent resolution on the budget for fiscal year 1987 has been agreed to.

The budget authority provided in H.R. 2672 authorizes contributions from the employee and the employing agency to the pension system to fund future retirement benefits and authorizes the payment of entitlement benefits to individuals qualifying for such benefits under the provisions of H.R. 2672.

FEDERAL EMPLOYEES RETIREMENT SYSTEM ACT OF 1986— CONFERENCE REPORT

•Mr. DOLE. Mr. President, I ask unanimous consent the Senate now turn to the conference report to accompany H.R. 2672, the Federal Employees Retirement System Act of 1986.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 2672) to redesignate the New York International and Bulk Mail Center in Jersey City, New Jersey, as the "New Jersey International and Bulk Mail Center," and to honor the memory of a former postal employee by dedicating a portion of a street at the New York International and Bulk Mail Center in Jersey City, New Jersey, as "Michael McDermott Place," having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses this report, signed by a majority of the conferees.

The PRESIDING OFFICER. Without objection, the Senate will proceed to the consideration of the conference report.

(The conference report is printed in the House proceedings of the Record of May 19, 1986.)

Mr. ROTH. Mr. President, it has been 7 years since the Senate first began hearings on a new retirement system to replace the expensive and outdated pension plan that has existed since 1920. Today, I am pleased to bring before the Senate, the conference report on H.R. 2672, the Federal Employees' Retirement Act of 1986 which enjoys the full support of the House and Senate conferees and the administration.

It is crucial that the Congress move to adopt this legislation swiftly. Time has run out for the interim legislation that was enacted after Social Security began covering new employees hired beginning January 1984. As of April 30, some individuals have had an additional 5.7 percent taken from their paychecks to pay for the unnecessary double coverage of Social Security and the current civil service retirement plan. This conference report will end

that double coverage and refund the 5.7 percent back to the employees.

On November 7 of last year, the Senate voted 99-1 for a three-tier retirement plan developed by the Governmental Affairs Committee. That structure has been preserved in the conference report at a cost far below the outdated current system and in addition results in an immediate reduction in the fiscal year 1987 deficit of \$300 million.

The new Federal employees' retirement system is composed of a Social Security benefit, a defined benefit plan structured after the current pension plan, and an employer-matched, tax deferral thrift savings fund that allows employees career flexibility and planning that private sector and State employees have enjoyed for years. H.R. 2672 does not alter that current retirement system benefits, but does allow enrollees of the present system to invest up to 5 percent of their incomes into Federal Government securities, but without any matching contribution by the employing agency.

Mr. President, even if the Social Security Amendments of 1983 had not mandated a new retirement system for workers hired after January 1, 1984, I believe it was time for Congress to design a modern pension system for Federal employees like the one before the Senate today. Why should the civil servant be locked into an archaic retirement plan while his counterpart in the private sector or State government participates in plans that provide both retirement security and career flexibility? The Federal worker competes in the job market with the rest of the labor force, and the U.S. Government, as any employer, must hire bright young workers by offering attractive retirement benefits. It is unfair to the employee to have his or her career opportunities limited by the current system and it handicaps the U.S. Government when attempting to recruit needed talent.

The Federal Employees Retirement Act of 1986 covers employees that will retire in any year. That is why we have tried to make the bill as forward thinking as possible. However, we think our new system will be so attractive to Federal workers that we have included a transfer provision allowing individuals in the current system to enter the new plan.

In addition to the regular civilian employees, the bill has benefits, tailored in the same manner as the current pension plan, for certain classes of employees that hold jobs with age and service patterns different than the most employment. Among those categories are firefighters, law enforcement officers, air traffic controllers, foreign service officers, the CIA, Members of Congress, and congressional staff. The decision to include Members and staff into this special group was decided years ago when it was realized that these jobs did not lend themselves to the usual long-term retire-

ment formula. In this bill, like the current plan, the Members and other special classes will pay one-half percent more for their plan and in return accrue benefits at a higher rate.

The COLA, for all participants is the same. No COLA until after age 62 and then at a CPI-1 rate when inflation is about 3 percent. The cost to the taxpayer will be much less than it is now—a change the Congress has urgently needed to make for years.

In closing, I wish to acknowledge the superb leadership to Senator STEVENS, the chairman of the Subcommittee on Civil Service, Post Office, and General Services. Without him, I am sure we would not have come to such a successful conclusion. I want to thank him and Chairman BILL FORD of the House Post Office and Civil Service Committee for their cooperation.

In the next few weeks, the committee will produce a section-by-section analysis of this legislation in a committee print to provide Members with more details on this legislation.

The new Federal Employees' Retirement Act reforms an outdated entitlement program, protects the worker, saves the taxpayer money, and strengthens the Federal Government's Job Recruitment Program. It is not often the Congress has an opportunity to satisfy so many policy needs correctly. I urge the Senate to adopt the conference report.

Mr. STEVENS. Mr. President, I would like to speak in support of the conference agreement on H.R. 2672, the Federal Employees' Retirement Act of 1986. This bill sets up a new retirement system for Federal employees hired beginning in 1984 who are covered under Social Security.

First of all, I want to express my deep appreciation to Senator ROTH, the chairman of the Governmental Affairs Committee, for his tireless efforts in developing and moving this most complex piece of legislation through the entire process. I also want to pass along a special thanks to my good friend and distinguished colleague, Senator EAGLETON, for his leadership, abiding interest and longtime support in setting up this retirement plan. I would like to commend these two gentlemen, and the other members of the Governmental Affairs Committee, as well as the large number of other Senators without whose support getting this bill moved would have not been possible. And, of course, I want to acknowledge Representative BILL FORD, chairman of the counterpart House committee, for his superior leadership in the House in designing a new retirement system and for the unparalleled spirit of cooperation he has fostered during this conference which was so necessary for the Senate and House to reach final agreement on this bill.

Finally, and certainly most importantly, I want to commend the Chief Counsel of our subcommittee, Jamie

May 20, 1986

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Cowan Jamie has worked with me through this whole period. We have spent many hours in meetings, at night, on weekends, at early morning breakfasts and at dinners in my home to confer with leaders of various segments of our national community interested in this legislation. Jamie delayed his departure from Senate employment with a commitment that he would stay until this bill became law. He will now enter the ministry on almost a full-time basis, although I believe he will be besieged by those who will implement this bill or fashion the entities to assure its success, for Jamie Cowan understands this legislation better than any person involved. I give him my heartfelt thanks for the effort he has made to bring this to a successful conclusion, and I readily admit I could not have brought this bill to the final conclusion without his advice, counsel and commitment.

Final agreement in the case of this conference bill would not have been possible without the administration and I would like to recognize OMB, OPM and members of the White House staff for their invaluable contributions and participation in this effort.

The bill before us was most certainly not put together in haste. As a matter of fact, work on this retirement system has spanned four Congresses, with my involvement beginning 7 years ago. Since that time, we have had study upon study, untold hours of testimony on retirement system benefits and design from top pension experts in the public and private sector, and considerable input from employee and management groups. Hearings were first held about 5 years ago. It was during that time that the Congressional Research Service conducted a major study of alternative designs for Federal retirement programs and in December 1981, issued a report describing four options for coordinating Federal retirement with Social Security. Based on the CRS report, I introduced a bill in the fall of 1982 to setup a three-tiered retirement plan with Social Security as the base although Federal employees were not yet covered under Social Security. The bill was not acted upon during that Congress, but the Social Security Amendments of 1983, a few months later, created the immediate need for a new retirement system. We held a series of five pensions forums in 1984 which led to the introduction of S. 1527 and subsequent passage of a new Federal retirement system in the Senate in November 1985.

When I consider how long this has taken, the tremendous amount of time and energy required of so many people, and the various frustrations along the way, I can honestly say it was all worth it. I say that because of the result—a top notch, economical retirement system for the Federal workforce which is on par with the best in the private sector.

This bill provides for a three-tiered system—Social Security, a basic annuity plan, and a voluntary thrift savings plan, following a proven and popular private sector model. The plan provides solid retirement benefits which coordinate well with Social Security, offering financial security to Federal retirees, protection in the event of disability and sound coverage for survivors. It offers the Federal employee for the first time, an opportunity to participate in a tax deferred thrift savings plan with a generous employee match, something previously available to private sector employees.

This new system encourages employee participation in retirement planning, provides greater portability of benefits enabling greater movement in and out of Government service at all levels, encourages career services, offers employee options for retirement planning and provides a financially sound and fully funded retirement system.

The new system provides for a gradual move to age 57 for a minimum retirement age, allowing many current employees to continue to retire at 55. It allows payment of an annuity supplement until age 62, subject to an earnings test similar to Social Security practice. COLA's will be equal to CPI minus 1 after 62 with no COLA's before. Even with these few changes from the current system, I believe Federal employees will be very pleased with this new system and I suspect that many employees in the current system will find the new one attractive enough to transfer.

With this new retirement plan, everyone is a winner—the Federal employees because of the benefits and opportunities it offers, the Government because of the positive influence on the makeup of the work force; and the taxpayer because it costs considerably less than the current system. I, too, think we have come up with a winner and urge that we adopt the conference agreement for H.R. 2672.

Mr. EAGLETON. Mr. President, It has been 66 years since Congress first enacted a retirement system for Federal civilian employees. That system, the civil service retirement system, created what is known as a defined benefit plan and set pension standards for both the private sector and State and local governments for decades.

While CSRS was amended and modified many times over the years, its basic structure and philosophy never changed. The Federal Government made a commitment to its employees that if they retire from government after a significant number of years of service to their country, then the Government would guarantee them a lifetime annuity. The annuity was specifically defined: The employee would receive an annual amount equal to the average of his high 3 years salary, times his number of years of service, times 2 percent thus, the term "defined benefit." The employee had to

contribute a percentage of his salary, but if the employee decided to leave government and withdraw from the plan, his contributions would be refunded. Basically, the Federal Government, as an employer, was taking care of its long-term employees by providing deferred compensation for years of performance.

Between 1920 and 1986 pension philosophy, pension needs, pension law, and pension design underwent marked changes. What did not change, however, and what became a widespread employee right, was the CSRS philosophy that an employer should provide an annuity to employees upon cessation of full service careers.

Following enactment of the Civil Service Retirement System in 1920, the next major historic change in pensions came in 1935 when Congress established the Social Security Program. That program, originally designed as a pension foundation to be supplemented by personal savings and small pension plans for certain categories of workers, quickly, as we all know, became nearly universal.

Since the Civil Service Retirement System pre-dated Social Security, there was no reason to restructure the CSRS, and consequently Federal employees were not covered by the Social Security Program. Although Social Security coverage of Federal civilian employees was frequently suggested, it wasn't until 48 years after Social Security began that the Federal work force was included. In a major overhaul of Social Security in 1983, Federal employees hired after January 1, 1984, were included in the Social Security Program. Since it was readily apparent that the Federal Government could not ask its employees to contribute to two retirement plans, the 1983 law provided an interim arrangement for new employees until a new Federal employees retirement plan could be enacted. The deadline for completion of the new plan was December 31, 1985. We didn't quite make it, so last December Congress extended the deadline until May 1, 1986. We have not extended the deadline again, and until this conference report before us becomes law, Federal employees hired after January 1, 1984, will be paying into both the Civil Service Retirement System and Social Security.

It fell to the jurisdiction of the Senate Governmental Affairs Committee to design the new retirement plan. Luckily for the committee, my good friend and colleague from Alaska, Senator TED STEVENS, had seen as far back as 1979 the inevitability of Federal employees joining Social Security, and through his position on the Civil Service Subcommittee, he had already commenced what for the rest of us on the committee became a long and tortuous journey.

In 1982 TED STEVENS introduced S. 2905, the Civil Service Pension Reform Act of 1982. In preparation for his bill,

Central Intelligence Agency



Washington, D.C. 20505

OCA 86-1963

13 JUN 1986

Mr. Thomas R. DeYulia, Staff Director
Committee on Post Office and Civil
Service
House of Representatives
Washington, D.C. 20515

Dear Tom:

We at CIA are pleased that the Federal Employees Retirement Act of 1986 has passed Congress and has been signed into law by the President.

I want to thank you for your unstinting efforts on this bill on behalf of all Federal employees. I especially appreciate your help with the several crucial issues that relate to the special needs of the Agency. This new legislation will have a direct and positive impact on our ability to recruit and retain the kind of people needed to maintain our national security.

Thank you for your help.

Sincerely,

/s/ William J. Casey

William J. Casey
Director of Central Intelligence

cc: Rep. William D. Ford

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Central Intelligence Agency



Washington, D.C. 20505

OCA 86-1964

13 JUN 1986

The Honorable Lee H. Hamilton
Chairman
Permanent Select Committee on
Intelligence
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

We at CIA are pleased that the Federal Employees Retirement Act of 1986 has passed the Congress and has been signed into law by the President.

I would like to thank you and your Committee staff, especially David Addington, Mike O'Neil and Bernie Raimo, for your consistent help through the long process. This new legislation will enable us to recruit and retain the high quality of people needed to maintain our national security.

Thank you for your help.

Sincerely,

/s/ William J. Casey

William J. Casey
Director of Central Intelligence

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Central Intelligence Agency



Washington, D.C. 20505

OCA 86-1965

13 JUN 1986

The Honorable Dave Durenberger
Chairman
Select Committee on Intelligence
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

We at CIA are pleased that the Federal Employees Retirement Act of 1986 has passed the Congress and has been signed into law by the President.

I would like to thank you and your Committee staff, especially John Nelson, for your consistent help through the long process. This new legislation will enable us to recruit and retain the high quality of people needed to maintain our national security.

Thank you for your help.

Sincerely,

/s/ William J. Casey

William J. Casey
Director of Central Intelligence

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